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1. HONG KONG

The Communist campaign against colonial authorities in Hong Kong has been set back by resolute British action. Police, backed by troops, have raided Communist control centers and taken many leaders of the local apparatus into custody.

Communist plans have apparently been upset and their efforts to create mass disorders thrown off balance, at least temporarily. There are indications that the morale of the Communists has been shaken and that their organization has been disrupted.

Despite these gains for the Hong Kong authorities, the situation is still very serious and seems likely to remain so for some time. The Hong Kong Communists are now resorting to terrorist tactics, with the police and public transportation facilities as the principal targets. A 16-day "food strike" has reportedly been scheduled to begin on 17 July and other measures designed to put pressure on the Hong Kong authorities are in prospect.

Attacks on the public transportation system have driven a number of workers to resign. This and the cumulative effect of other Communist activities could in time make the position of the Hong Kong Government critical.

Peking has thus far shown no disposition to move toward a direct confrontation with the British. Chinese Communist backing for the campaign has been limited to political support and clandestine financial assistance. The border clash on 8 July--the most serious incident to date--now appears to have been the work of local hotheads.

Should the destruction of the Hong Kong Communist apparatus appear imminent, however, Peking might feel compelled to take a more active role in the struggle. If Chinese authorities at the provincial level or below decided on their own initiative to intervene, it would be very difficult for the Chinese Communist leadership not to follow suit. (SECRET NO FOREIGN DISSEM/NO DISSEM ABROAD)

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2. SUDAN

The Sudan's current leftward course is likely to continue despite moves by opposition leaders to dislodge the two-month-old government of Mohammad Mahjoub.

Pressed by Egyptian officials and the Sudan Communist Party, members of both the National Unionist Party (NUP) and the pro-Egyptian People's Democratic Party (PDP) are now exerting considerable influence on the unstable government's policy decisions.

Leftists now influential in the government, such as Minister of Finance and Economics al-Hindi, have taken advantage of the extreme anti-Western atmosphere in the Arab world following the Arabs' abortive confrontation with the Israelis to support a general shift in the Sudan's foreign policy toward a closer alignment with the Soviet Union and other Communist countries.

The Sudanese Army, traditionally dependent on the West for its military equipment, is for the first time negotiating for arms from both the Soviet Union and Czechoslovakia. The Soviets have also volunteered to complete projects initiated by US AID but suspended since the breaking of relations with the US.

Diplomatic relations with the US and the UK were broken in protest against alleged support by both countries for Israel, and are unlikely to be restored in the near future. No Sudanese politician at this time can afford openly to oppose the leftward trend in the face of popular enthusiasm for the Sudan's present radical posture.

Ismail al-Azhari, president of the NUP and of the Supreme Council, and former prime minister Sadiq al-Mahdi are now reportedly cooperating in an effort to force the ouster of the Mahjoub government. The army has thus far remained aloof from political machinations but could move either on its own or in conjunction with moderate opposition elements to turn out Mahjoub and his cabinet. (SECRET NO FOREIGN DISSEM)

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